

# **Request for Proposals**

## **Purchase and Sale of Renewable Electricity to Large Electricity Customers**

### **I. Introduction and Summary**

The Rhode Island Renewable Energy Collaborative (the Collaborative) announces the availability of **\$500,000** to encourage the long-term purchase of renewable-energy based retail electricity supply (“green power”) by large electricity consumers in Rhode Island, including business, government, and institutional customers. The Collaborative invites proposals by large electricity consumers and/or registered retail electricity suppliers for the purchase and sale of green power to large electricity customers in Rhode Island.

It is the Collaborative’s intent to encourage the development of a sustainable market for renewable electricity that will continue even in the absence of continued program funding. Therefore, through this solicitation the Collaborative seeks to buy-down but not eliminate entirely the cost premium associated with purchasing green power. The Collaborative wishes to support the most qualifying renewable generation it can given its funds and expects that the marketers and large customers purchasing green power will promote their green power purchase publicly, thereby stimulating further green power purchases by others. Under this open solicitation, the Collaborative expects to fund multiple proposals.

Applicants for this program should be aware of the Collaborative’s RFP for renewable generation supply which will subsidize the development and selling price of qualifying new renewable supply serving Rhode Island customers. These two initiatives are intended to support and complement one another.

This program is flexible and is intended to support creative and effective initiatives by marketers or large customers. Bidders are encouraged to propose innovative approaches to maximize the impact of the available funds. Such approaches might include, for example, customer rebates or a cents per kWh purchase incentive. Proposals will be evaluated on several factors, including cost, renewable energy product content, sustainability, likelihood of project completion, leverage, and administrative ease.

The Open Solicitation will be available through **October 31, 2001** or until all funds are committed, though funding may be paid out to winning bidders after this date. Extension of the program beyond 2001 will depend on program results and the continued availability of funds.

## II. Background

The Rhode Island Utility Restructuring Act of 1996 (the Act) is restructuring the electric utility industry in Rhode Island. As part of the Act, Rhode Island electric utilities are required to include an annual charge of at least 2.3 mills per kWh to fund demand-side management (DSM) programs and renewable energy resources for a five-year period beginning on January 1, 1997. The Rhode Island Public Utility Commission (PUC) is responsible for approving the distribution of funds between DSM and renewable technologies. The Commission has retained the right to review each new project covered under this solicitation over \$50,000. Funding after 2001 is under review by the Rhode Island legislature at this time.

In order to help promote a well-coordinated statewide effort to support renewable generation, electric utilities of Rhode Island (Narragansett Electric and Pascoag Utility District) along with the Division of Public Utilities and Carriers, the Conservation Law Foundation, the Rhode Island State Energy Office, and The Energy Council of Rhode Island (TEC-RI) together have formed a group known as the Rhode Island Renewable Energy Collaborative modeled after the successful Rhode Island Demand-Side Management Collaboratives. The role of the Collaborative is to help administer the renewable energy portion of the available funds.

Several proposed renewable energy programs intended to jump start and build the long-term market demand for energy from renewable resources in Rhode Island were approved by the Rhode Island PUC. Programs of most relevance to this solicitation include:

- **Renewable Supply Open RFP** for new renewable energy projects located in New England that meet eligibility criteria and that serve Rhode Island customers directly through competitive retail electric supply or via “certificate-only” contracts. 2001 Budget: \$1.25 million.
- **Customer Education, Aggregation and Marketing** to potential large green power consumers and aggregations of smaller customers in order to educate and inform those customers regarding the benefits of renewable resources, thereby building green power demand. Funding will be disbursed in a competitive manner to marketing, consulting, or other organizations that propose to pursue eligible consumer education and marketing campaigns. 2001 Budget: \$350,000.

Also under consideration is a green power incentive program for retail electricity suppliers enrolling residential and small commercial customers with high-quality green power products that meet certain minimum criteria. The program, budgeted for \$1.75 million, would give suppliers access to a per-customer rebate for signing up residential and small commercial customers to qualifying green power offerings (proposed to start at \$125 per residential customer or \$250 per small commercial customer).

These programs are intended, in combination, to begin to initiate a base of regional renewable energy generation and build a long-term customer-driven green power market to support that generation within Rhode Island. Applicants to this solicitation should become familiar with other approved programs offered by the Collaborative before submitting project proposals and may participate in more than one program or team with other program participants. For example, a retail electricity

supplier may jointly seek to pursue large customer demand incentives, while also pursuing supply incentives with a generator.

### **III. Solicitation Details**

#### **Bidder Eligibility**

Both large electricity customers in Rhode Island and retail electricity suppliers registered in Rhode Island are encouraged to submit proposals under this solicitation:

- Large customers are defined as customers located in Rhode Island that are neither Residential nor individual Small General Service customers. In addition to supporting direct large electricity customer green power purchase proposals, the Collaborative (at a later date) may consider funding applicant's proposals to help their employees or customers buy green power (i.e. by discounting or subsidizing a portion of the cost premium)<sup>1</sup>, and may also open this solicitation to chain stores, small general service customers with multiple sites, or aggregations of small general service customers.
- Eligible electricity suppliers must be either registered to sell electricity at retail in Rhode Island, or have a registration application pending<sup>2</sup>, and may include: (1) those that are seeking funds to serve a particular large customer with green power and, (2) those that intend to market a particular green power offering to multiple customers. In the latter case, the Collaborative reserves the right to place progress milestone conditions on applicants and applicants may forfeit reserved funds if such milestones are not being met. This condition is intended to ensure that retail electricity suppliers do not hold up scarce funds for an undue length of time while seeking green power purchasers.

Retail electricity suppliers and large electricity customers are encouraged to collaborate in submitting funding proposals.

#### **Proposal Eligibility**

Under this solicitation, the Collaborative will favor proposals that:

1. Include higher percentages of energy produced from renewable generation sources as defined in the Act, i.e. power generation technologies that produce electricity from wind, small scale (less

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<sup>1</sup> The Commission is also considering a small customer incentive program. If approved, the Collaborative is likely to allow an employee or customer program under this solicitation.

<sup>2</sup> The Collaborative may at its discretion make the distribution of funds contingent upon competed registration.

than 100 MW) hydropower<sup>3</sup>, solar energy, sustainably-managed biomass<sup>4</sup>; and fuel cells using non-renewable fuels.

2. Maximize the amount of new renewable generation, defined as those facilities that first entered commercial after January 1, 1998;
3. Encourage or require a long-term customer commitment to purchase or support green power;
4. Ensure that customers are purchasing renewable energy because of renewable energy's environmental or price-stability benefits<sup>5</sup>; and
5. Maximize the degree of leverage provided by the funding of the proposal through, for example, public promotion of green power, thereby stimulating green power purchases by others.

Eligible green power sales/purchase agreements will generally include retail electricity supply arrangements through registered retail electricity suppliers, whereby the customer terminates its current electricity supply arrangement. Applicants are expected to provide accurate information to potential customers about their ineligibility for standard offer service once those customers choose competitive electricity supply.

Proposals for offerings involving the purchase of "tradable renewable credits", whereby the customer purchases the renewable energy "attributes" separate from retail electricity supply (and which therefore does not require a customer to switch electricity suppliers), will also be eligible, provided that (a) such offerings must be from entirely *new* (post-1998) renewable generation sources (as defined in the Act), and (b) located within New England. Such applicants will be required to register with the Rhode Island Division of Public Utilities and Carriers as an electricity supplier.

Applicants are also expected to indicate how the Collaborative can be assured that the sale of renewable energy has occurred. Once the New England Generation Information System being developed by NEPOOL (estimated to come on-line during early 2002) is operational, such demonstration is expected to be straightforward. Until such time, applicants will be required to

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<sup>3</sup> Hydropower must not require the construction of new dams.

<sup>4</sup> The Collaborative considers "*sustainably managed biomass*" to include, at a minimum, generation utilizing landfill methane or digester gas in internal combustion engines, micro-turbines, or fuel cells. Applicants may propose other biomass fuel and generation configurations, however the burden will be upon the applicant to explain and justify why the proposed project and its fuel stream should be considered sustainably-managed biomass.

<sup>5</sup> For instance, a proposal ensuring that renewable energy is initially being purchased at a premium relative to the prevailing standard offer service rate or the lowest priced available competitive product, with Collaborative funds only being used to offset a portion of the cost of the purchase. Fixed-price contracts that feature renewable resources as a hedge against future higher electric supply costs are acceptable, so long as the pricing does not establish renewable energy at a discount to commodity supply offerings.

indicate in their proposal how verification of product purchase/sale will be accomplished. Such demonstration may include one or more of the following:

- auditable and/or audited contract path,
- reliance on Green-e certification and verification,
- use of an independent renewable energy credit registry approved by the Collaborative,
- confidential demonstration of discretionary allocation of attributes to different groups of customers, if applicable.

Applicants may be required to open their power purchase and sales records to third party inspection under confidential conditions to verify their green power purchase or sale.

Applicant must describe the current and future disposition of any emission reduction credits, emission allowances, or air emissions offsets for NO<sub>x</sub>, SO<sub>x</sub>, CO<sub>2</sub>, or any other air emission benefit (“secondary attributes”) that may have been conferred upon or associated with the renewable resources constituting the product content, e.g. they are retired, title is passed along to the retail customer, sold off for supplementary revenue, or other (describe). The Collaborative will require that retail electricity suppliers disclose the fate of such secondary attributes.

## **Fund Availability and Distribution**

\$500,000 is available under this solicitation in 2001. Applications may be submitted at any time after receipt of this RFP through October 31, 2000. The Collaborative will act on applications in the order received. Extension of the program beyond 2001 will depend on program results and the continued availability of funds. The Collaborative may, however, distribute funds over several years to projects approved during 2001. In such cases, funding will be extended for a maximum of three years after proposal acceptance.

Applicants are encouraged to propose creative approaches to supporting the purchase of green power by large customers. Possible funding structures include, but are not limited to:

- **Customer Rebate:** A fixed grant to either the supplier or the customer, distributed upon green power delivery, intended to buy-down a portion of the cost of the purchase.
- **Purchase Incentive:** A cents/kWh incentive offered to the customer or the marketer based on kWh of green power purchased/sold.

Funds may be paid to either the green power purchaser or the green power seller.

The Collaborative strongly prefers to “pay on performance.” Funds will therefore only be distributed once purchase of green power has occurred, unless a proposal presents a compelling argument for earlier funding.

## Evaluation Criteria

The Collaborative seeks to provide the maximum degree of flexibility to bidders in structuring their proposal and the funding under that proposal. In evaluating proposals and selecting those to fund, the Collaborative will use multiple criteria including:

- **Cost-Effectiveness of Funding Request.** Those proposals that maximize renewable energy sales to large customers at minimum cost to Rhode Island shall be preferred. To ensure the sustainability of the purchase, this solicitation is intended to offset only a portion of the cost of renewable energy purchases. Proposals that intend to cover the entire initial cost premium through this funding solicitation are unlikely to be successful. Fixed-price contracts that feature renewable resources as a hedge against higher future electric supply costs are acceptable, as long as the initial price of the product exceeds the price of the standard offer or the lowest priced available competitive product available at that time.
- **Renewable Energy Supply Sources.** Project proposals that include a higher percentage of renewable energy sources as defined in the Act will be preferred, particularly if those sources are based in Rhode Island. Proposals that emphasize and maximize the purchase from new renewable energy sources will be heavily favored.
- **Sustainability.** Bidders will be required to demonstrate to the Collaborative how funding of the proposal will have a sustainable impact. A long-term renewable energy purchase commitment by the customer will serve as one such demonstration.
- **Likelihood of Success.** The Collaborative will favor proposals that have a high degree of likelihood of success. Proposals that identify specific customers that have agreed to purchase a specific renewable energy offering from a specific retail electricity supplier will be preferred. Proposals from customers that commit to promptly launch an RFP for green power supply will also be favored. Proposals by retail electricity suppliers that intend to market a particular green power offering to multiple (not yet identified) customers will be considered to the extent that specific progress milestones are established. The experience of the applicant will also be considered here. All else equal, proposals with earlier start dates will be preferred.
- **Leverage.** The Collaborative strongly prefers proposals that can leverage other green power market activity and stimulate additional green power sales on the part of others. This criterion will be a principal point of evaluation for the Collaborative. Proposals that include specific actions of customers or marketers to promote the purchase of green power to others will be favored. Such activity might include:
  - development of press releases and news articles about the purchase,
  - providing information to employees or customers on the benefits of renewable power and their green power purchasing options, and

- development of in-store, point-of sale displays on green power, inclusion of green power on packing of items sold to retail customers, or cross-marketing of green power and other products.
- **Administrative Ease.** Proposals for fund distribution that are easy to verify and administer will be preferred.

After evaluating proposals, bidders may be asked to provide more detailed information before the Collaborative completes its selection process. The Collaborative, after receiving bids, reserves the right to disapprove any or all of these proposals. Final Collaborative approval may be subject to review by the Rhode Island PUC and is subject to continued availability of funds.

## IV. Proposal Application for Funding Package

Proposals must contain the following key elements. Proposals that do not include this mandatory information will be disqualified.

### Cover Letter

Cover letter should acknowledge the proposal transmittal, should certify to the accuracy of the information submitted in the proposal, and (if a retail supplier is one of the applicants) should certify that the supplier will provide accurate information to potential customers about their ineligibility for standard offer service once those customers choose competitive electricity supply.

### Description of Applicant

- Company name(s)
- Mailing address
- Mail telephone number
- Main fax number
- Website address
- List of key members of project team
- Description of main business of applicant(s)
- If applicant is a retail electricity supplier, a statement of qualifications that details the applicant's experience in selling electricity at retail and renewable energy; evidence that the supplier is registered in Rhode Island or has applied for registration is also required.
- If applicant is an electricity customer, a statement indicating why the customer is pursuing a renewable energy purchase and/or describing similar purchases in other jurisdictions.

- If multiple organizations are involved in a single proposal, description of relationship between organizations
- Identification of applicant contact person(s), title, phone number, fax, e-mail (resume should be attached)

## **Proposal**

- Overall Proposal Description

Applicant should provide an overall description of the content of their proposal.

- Product Content, Amount, Cost, and Contract Information

Applicant shall provide information of the content (e.g., solar, wind, etc., and whether “new” renewables are included), amount (e.g., kWh per year total and for each resource type and for “new” renewables), and cost (e.g., cents/kWh) of the renewable energy supply to be purchased or sold. Applicants shall also provide information on the proposed length of the purchase commitment of the customer. Applicant shall describe whether the purchase is a “certificate-based” transaction or is part of a retail electricity supply arrangement.

- Funding Amount and Structure

Applicants must describe in detail the amount and structure of the project funding that they are requesting from the Collaborative. Applicants must demonstrate that requested funding will cover only a portion of the initial cost of the overall renewable energy purchase. Projects that have a high degree of co-funding from customers, retail electricity suppliers, and/or third parties will be favored. Applicants should be aware that the Collaborative strongly prefers to “pay on performance,” as described earlier. Applicants are required to demonstrate how their funding proposal matches this criterion.

- Verification Methods

Applicant must describe how verification will occur to ensure the Collaborative that renewable energy of the appropriate quantity and type has indeed been sold.

- Treatment of “Secondary Attributes”

Applicant must describe the disposition of any emission reduction credits, allowances, offsets or air emissions that may have been conferred upon or associated with the renewable resources constituting the product content, e.g. they are retired, title is passed along to the retail customer, sold off for supplementary revenue, or other (describe). The Collaborative expects retail electricity suppliers to at very least disclose the fate of such secondary attributes.

- Status and Timeline

Applicants will provide a description of the status and proposed timeline of their project/contract. All bids must have a realistically attainable expected timeline.



Documentation that demonstrates that the applicant will be able to take delivery of renewable power within the stated time line should be provided. Other information documenting the likelihood of project completion should be provided here. Letters of commitment from customers and marketers are requested as an attachment.

- **Proposed Leveraging Activities**

Applicants are required to detail how they propose to “get the word out” about their purchase/sale or about green power in general, and how these activities might leverage further green power purchases in the State. Responses to this question will serve as a major evaluation criterion.

## **Attachments**

- The resume of the identified contact person (mandatory) as well as key team members (if desired)
- Documentation of Proposal Accuracy

Any documentation to warrant or demonstrate the accuracy of the information provided in the proposal should be attached here. For example, if a specific electricity customer is identified in the proposal, where possible, bidders should provide a letter of commitment from that customer indicating their intention to purchase renewable electricity. If a specific retail electricity supplier or product is identified in the proposal, where possible, applicants should provide letters of commitment from that supplier indicating their intent to supply the service described.

## **Proposal Length**

Not including cover letter and attachments, proposals should not exceed 20 single spaced pages.

## **V. Proposal Submission**

### **Proposal Submission Date**

This solicitation shall remain open to proposals until October 31, 2001. However, proposals will be reviewed on a first come, first serve basis until funds are allocated, so applicants are encouraged to apply early for funding.

### **Delivery Instructions**

Six bound copies, one unbound copy, and an electronic copy of bidder’s proposal should be submitted to:

Kate Ringe-Welch  
Principal Analyst  
The Narragansett Electric Company  
280 Melrose Street  
Providence, RI 02901  
Renewables.collaborative@us.ngrid.com

## **Written Questions**

Questions should be directed in writing to Ms. Ringe-Welch of Narragansett Electric at the address and e-mail above.

## **Treatment of Proposals**

Proposals will be confidentially reviewed by members of the Collaborative and its consultants. The Collaborative reserves the right to not select any submitted bid. The costs incurred for preparation of the bidders' proposals will not be reimbursed.

The Collaborative will review any and all proposals on a first come, first serve basis as quickly as feasible. Unsuccessful applicants will be notified that their proposal was not accepted and the reasons for non-acceptance. At the sole discretion of the Collaborative, applicants may be given the opportunity to amend their proposal for resubmission.

## **Funding Contract**

The Narragansett Electric Company will issue a purchase order which will constitute the contract for funding. The contract will provide that continued funding is subject to Rhode Island Gen. Laws Section 39-2-1.2(b) and the PUC's allocation of funds to cover this project.

The Collaborative reserves the right to terminate any funding agreement awarded through this solicitation for reasonable cause, including: (1) material change in the project as it is described in the application, (2) the Collaborative loses contact with the applicant for a period of months, (3) the applicants are determined to have knowingly provided false or misleading information to the Collaborative.